CIPS Level 4 – Diploma in Procurement and Supply

Defining Business Needs [L4M2]

SAMPLE QUESTIONS

Sample Exam Questions (Objective Response)

The correct answer will be listed below each question

Q1. For a manufacturing organisation, which **ONE** of the following would be a direct cost?

a. Brand advertising

b. Components

c. Executive cars

d. Stationery

LO: 1
AC: 1.2
Correct answer: B

Q2. An output specification focuses mostly on …

a. design

b. innovation

c. performance

d. technicalities

LO: 3
AC: 3.1
Correct answer: C

Q3. Which of the following are commonly used in conjunction with an output-focused specification?

a. Key performance indicators

b. Clear conformance standards

c. Detailed technical requirements

d. Product brand names

LO: 3
AC: 3.1
Correct answer: A

SAMPLE QUESTIONS

Q4. A procurement organisation is keen to maximise the use of new innovation available, within its supply market, in the execution of a new significant contract opportunity. Which **ONE** of the following will enable the organisation to achieve this goal?

a. Using an outcome-focused specification

b. Applying a precise performance framework

c. Establishing transparent selection criteria

d. Allowing variations to occur

LO: 3
AC: 3.1
Correct answer: A

Q5. A procurement manager, as an integral member of the cross-functional product design team, has helped build the specification for a new component in a product. The procurement manager has already assessed the availability of suppliers and their relative market influence and has determined that the sources of supply are plentiful. Which competitive market forces factor would be important for the procurement manager to consider?

a. Competitive rivalry

b. Power of buyers

c. Strength of suppliers

d. Supply chain impact

LO: 2
AC: 2.2
Correct answer: B

SAMPLE QUESTIONS

Q6. Zam Manufacturing Group (Zam) uses a large range of non-complex components that are readily available from an extensive range of suppliers. The manufacturing process is simple and highly efficient. Zam's profit margins are high. Zam's chief procurement officer's current concern is the vast range of products it both buys and manufactures. Which **ONE** of the following should be a priority action for Zam to reduce the range of components in its manufacturing process?

a. Value analysis

b. Value engineering

c. Implement standardisation

d. Process re-engineering

LO: 3
AC: 3.4
Correct answer: C

Q7. Which of the following are common barriers to entry that could affect competition in a market?

1. Set-up costs
2. Direct labour costs
3. Customer switching costs
4. Inventory holding costs

a. 1 and 2 only

b. 3 and 4 only

c. 2 and 3 only

d. 1 and 3 only

LO: 2
AC: 2.2
Correct answer: D

SAMPLE QUESTIONS

Q8. An organisation has a very clear idea of the service it wants and has described the process precisely in terms of how the supplier must deliver it. It is intending to produce an 'outcome-focused specification'. Is this the right specification approach for the organisation to use?

a. No, with an outcome-focused specification approach the supplier will decide how to deliver the service

b. No, the best approach would be an open specification

c. Yes, this specification approach allows for maximum control of the supplier

d. Yes, this specification approach states expressly how the service should operate

LO: 3
AC: 3.1
Correct answer: A

Q9. Which of the following are environmental considerations throughout a contract life cycle? Select the **TWO** that apply.

a. Energy usage in manufacturing

b. Recyclable packaging

c. Customer demand

d. Employee welfare

e. Standards of ethical behaviour

LO: 3
AC: 3.2
Correct answer: A & B

SAMPLE QUESTIONS

Q10. Which of the following are typically found within conformance specifications? Select **TWO** that apply.

a. Forecasts

b. Drawings

c. Outcomes

d. Samples

e. Outputs

LO: 3
AC: 3.1
Correct answer: B & D

Q11. Which **ONE** of the following is a feature of a straight re-buy purchase? There will be …

a. an existing specification

b. a new business case required

c. a revised requirements document

d. a new competitive tender

LO: 1
AC: 1.1
Correct answer: A

Q12. The key difference between value analysis and value engineering is that …

a. value analysis is a risk management tool used in projects

b. value engineering mostly relates to new products

c. value analysis will improve relationships with stakeholders

d. value engineering is compulsory in most organisations

LO: 3
AC: 3.4
Correct answer: B

SAMPLE QUESTIONS

Q13. Major Manufacturing Group (MMG) has very specific requirements for a component used in the production of its best-selling engine. It has approached other suppliers in the past but it has always used the same supplier as it is the only one in the market that can deliver the brand that MMG has specified. Which type of specification has MMG produced?

a. Functional specification

b. Output specification

c. Conformance specification

d. Outcome specification

LO: 3
AC: 3.1
Correct answer: C

Q14. International Power Group (IPG) is reviewing its approach to producing specifications to meet its future requirements. While ensuring that the goods and services it requires are fit for purpose, the IPG senior management is prioritising environmental criteria. Reducing which **ONE** of the following will be the greatest priority for the IPG board to satisfy this criterion?

a. Unemployment

b. Poverty

c. Overheads

d. Pollution

LO: 3
AC: 3.2
Correct answer: D

SAMPLE QUESTIONS

Q15. A procurement organisation always uses outcome-focused specifications and is reviewing how to remove all barriers that prevent new suppliers from bidding for its contracts. Which of the following competitive forces is the procurement organisation focusing on?

1. Availability of substitutes
2. Bargaining strength of buyers
3. Threat of new entrants
4. Bargaining power of suppliers

a. 1 and 2 only

b. 2 and 3 only

c. 3 and 4 only

d. 1 and 3 only

LO: 2
AC: 2.2
Correct answer: D

Q16. Which of the following should be given priority when conducting a total cost of ownership assessment when purchasing a major capital asset item?

1. Advertising costs
2. Servicing costs
3. Maintenance costs
4. Management costs

a. 1 and 2 only

b. 2 and 3 only

c. 3 and 4 only

d. 1 and 3 only

LO: 1
AC: 1.2
Correct answer: B

SAMPLE QUESTIONS

Q17. Invoices for manufacturing supplies can be used to understand the cost of production. Is this statement TRUE?

a. Yes, they are sources of information of direct costs

b. No, more appropriate sources are order quantities and land registry documents

c. Yes, they are sources of information for indirect costs

d. No, these sources of information are not related to the cost of production

LO: 2
AC: 2.3
Correct answer: A

Q18. All of the costs of a major automotive manufacturer can be classified as being direct costs. Is this correct?

a. Yes, whether the costs are fixed or variable

b. No, only those costs involved in making the end product

c. Yes, because all manufacturers only have direct costs

d. No, only components and energy costs

LO: 1
AC: 1.2
Correct answer: B

Q19. Which of the following are recognised forms of acceptance testing? Select the **THREE** that apply.

a. End-user testing

b. Field testing

c. Supplier testing

d. Competitive testing

e. Operational testing

f. Functional testing

LO: 3
AC: 3.2
Correct answer: A, B & E

SAMPLE QUESTIONS

Q20. Information generated through a purchase price cost analysis can be useful to the purchaser by helping to identify which of the following costs relating to the supplier? Select the **TWO** that apply.

a. External costs

b. Budgeted costs

c. Direct costs

d. Market costs

e. Indirect costs

LO: 2
AC: 2.3
Correct answer: C & E

SAMPLE QUESTIONS